

# BEST INVESTOR SERVICES HOUSE

## JPMorgan

### The US bank is constantly evolving its investor services business to win the mandates that matter

State Street and Bank of New York remain formidable opponents in the investor services universe, but JPMorgan wins top slot once again this year for the consistency of its client service and dedication to product innovation.

In 2004, JPMorgan generated 16% revenue growth, achieving record revenue and a 20% increase in assets under custody for institutional investors worldwide. It looks as if 2005 will be another good year. In the first quarter, JPMorgan's securities business enjoyed continued growth, with \$508 million revenue, a 23% increase year over year, and up 12% from the fourth quarter of 2004.

"People often ask us how we are continuing to grow our assets and where the growth is coming from," says Mike Clark, global head of JPMorgan Worldwide Securities Services. "We can only say that we are seeing real growth for a number of reasons. We have unique products and we are attracting new business because of this, it's not just new business from existing clients. Our existing clients are also doing well, and their success also fuels our growth."

After clinching the largest deal in the industry last year with Barclays Global Investors, it has continued to secure significant mandates worldwide. It has made substantial inroads in Asia, with recent wins

including a \$14 billion mandate with an Asian bank and a \$5 billion deal with a Korean bank. In the Nordic region, it secured a \$25 billion deal with PFA Pension, the largest supplier of company pension plans in Denmark. It can also boast other additions to its client list, such as Cazenove Fund Management, Old Mutual Financial Network and UBS Global Asset Management.

In the US, State Street continues to outstrip all other investor services houses in terms of performance but Clark says the firm is now focused on growing relationships with broker-dealers and hedge funds, as well as continuing to look at its core clients such as pension funds and fund managers.

JPMorgan recently integrated its investor services and institutional trust services businesses under the JPMorgan Worldwide Securities Services banner. With \$10.2 trillion in assets under custody, this new arrangement should substantially facilitate its clients by offering its services via four pillars that include securities, clearance, securities lending and market products and trust. "With the growing number of challenges many companies are now facing, including increasing regulatory requirements, we felt that there would be a number of benefits for our clients if we merged the two services," says Clark.

The firm has also been making strides to capture business from hedge funds and the growing interest in derivative instruments among investment communities. "As clients become more sophisticated, it's crucial that we in turn gain a better understanding of alternative investments," adds Clark. "Hedge funds are a very important market segment for us at the moment." New initiatives include an independent valuation service for OTC derivatives. In 2004, it also bought Tranaut Fund Administration, a hedge fund administration services company.

On the technology side, JPMorgan has been investing a huge amount of money on



Mike Clark

its processing capability and client-facing technology.

In the past year, it launched the first phases of an enhanced VIEWS service, the firm's client interface platform providing client reporting and instruction capability. Institutional investors now have access to JPMorgan E-Tax, a comprehensive collection of global tax news, intelligence and information available on line. It also introduced Message Express, a cheaper message management service that provides financial institutions links to industry messaging utilities.

Above all, Clark attributes the firm's continuing success to client relationships and adapting quickly to their needs. "Beyond being great at custody, the fundamental ingredients for a successful investor services house are fund servicing, transfer agency, outsourcing, client facing technology and the ability to assure your clients that you can help them grow their business and make it more efficient," he says. "We are seriously committed to all of these components and we are constantly looking at how we can enhance these services."

Looking ahead, France, Germany and Scandinavia remain on JPMorgan's radar screen in terms of growth areas. "We also see material opportunities in China, Australia, Singapore and Korea," says Clark. "We would also like to address the feasibility of offering services in Mexico and Brazil."